

## 2021 RENTAL HOUSING FINANCE SURVEY GLOSSARY OF TERMS

The definitions and explanations given here apply to concepts used in the Rental Housing Finance Survey and its products. The definitions are in alphabetical order.

**11th District cost of funds index.** A monthly weighted average of the interest rates paid on checking and savings accounts offered by financial institutions operating in the states of Arizona, California, and Nevada.

**Accelerated federal income tax depreciation for low- and moderate-income properties.** This occurs when greater depreciation of the property value is reported in the early years of the property's existence.

**Adjustable-rate mortgage (ARM).** A loan that allows the interest rate to be changed, usually based on an established index, at specific intervals over the term of the loan.

**Age-restricted housing.** A community in which at least one household member must be of a certain age (usually 55 years or older).

**Amortization.** Payment of a debt in equal installments of principal and interest, rather than interest-only payments. See also "Full amortization."

**Appraised value.** An assessment of a property's value at a specific point in time and performed by a professional appraiser during the mortgage origination or refinancing process.

**Balloon payment.** The final payment on a loan, when that payment is greater than the preceding installment payments and the final payment pays the loan in full.

**Basic street address.** The house number and street or road name portion of an address, such as 11 Main Street. The BSA does not include designations for apartments, units, lots, etc. However, when the address for a specific structure is identified by a number followed by a fraction or letter, such as 11½ or 11A, the fraction or letter is part of the BSA.

**Capital improvement.** The addition of a permanent structural improvement, or the restoration of some aspect of a rental property, that

will either enhance the rental property's overall value or increase its useful life.

**Capitalization.** The process of converting an income stream into a lump-sum value.

**Capitalization ("cap") rate.** The ratio between the net operating income produced by a property and its current market value.

**Commercial bank.** A financial institution that provides services such as accepting deposits and giving business loans.

**Community Development Block Grants (CDBG).** Flexible federal aid given to communities to promote neighborhood revitalization through economic development, improved community facilities, and services in depressed neighborhoods. Local government can decide how to use the funds, which are administered by either state or city economic development offices.

**Concession.** Rent discount or other incentive offered by a property owner to encourage a tenant to sign or renew a lease.

**Construction loan.** Short term financing of real estate construction, also referred to as an "End loan," generally followed by long-term financing.

**Consumer discount company.** A type of finance company. See also "Finance company."

**Contract to purchase.** See "Mortgage."

**Cooperative bank.** A type of finance company. See also "Finance company."

**Credit Union.** Not-for-profit organizations that exist to serve their members. Like banks, credit unions accept deposits, make loans, and provide a wide array of other financial services. A **credit union** is a financial institution that is owned and controlled by its members rather than shareholders. The members of the credit union pool their deposits and provide loans and other financial services to each other.

**Cross-collateralization.** The process of using an asset currently being used as collateral for one loan as collateral for a second loan. If a debtor is

unable make either loan's scheduled repayments in time, the affected lender(s) can eventually force the liquidation of the asset and use the proceeds for repayment.

**Current market value.** The price at which investors can buy or sell a property at a given time. This price is often an estimate until the actual sale.

**Debt.** Money borrowed by one party from another.

**Deed of trust.** See "Mortgage."

**Economic development area.** A geographic area defined by local authorities for government assisted economic programs.

**Equity.** The market value of real property, less the amount of existing liens.

**Fannie Mae.** A private corporation that purchases or guarantees mortgages so that lenders have more money available to make additional mortgage loans. Formerly called the "Federal National Mortgage Association (FNMA)."

**Federal Housing Administration (FHA).** An agency, within the U.S. Department of Housing and Urban Development, that administers loan programs, loan guarantee programs, and loan insurance programs designed to make more housing available.

**Federal savings bank.** See "Savings and loan association."

**Finance company.** A company that makes loans primarily for consumer purchases.

**Financing.** Raising or providing funds for a purchase.

**First mortgage.** See "Mortgage."

**Fixed-rate, level payment mortgage.** A loan featuring an interest rate and periodic payments that are constant over the term of the loan.

**Freddie Mac.** A private corporation that purchases or guarantees mortgages so that lenders have more money available to make additional mortgage loans. Formerly known as the "Federal Home Loan Mortgage Corporation (FHLMC)."

**Free and clear.** Owning property free and clear is having title to a property without encumbrances; that is, free of liens. Referred to as “Non-mortgaged” in the RHFS tables. Also known as having “clear title” or “marketable title.”

**Full amortization.** The repayment of a loan calculated so that the principal will be paid in full through monthly payments of principal and interest for a predetermined period.

**General partnership.** An arrangement by which partners conducting a business jointly have unlimited liability, which means their personal assets are liable to the partnership's obligations.

**Government National Mortgage Association.** A federal association, working with FHA, that offers special assistance in obtaining mortgages, and purchases mortgages in a secondary capacity. Also known as “Ginnie Mae.” Ginnie Mae has two programs: (1) guarantee of payments to investors in mortgage-backed securities, and (2) absorbing the write-down of low interest rate loans that are used to finance low-income housing.

**Historic structure.** A building that is officially recognized for its historic significance and has special status under the 1976 Tax Reform Act that encourages rehabilitation and discourages demolition or substantial alteration of the structure.

**Home equity line of credit (HELOC)/Home equity loan.** See “Mortgage.”

**Home Investment Partnerships (HOME).** A program administered by the U.S. Department of Housing and Urban Development (HUD) providing grants to States and localities (often used in partnership with local nonprofits) to fund a wide range of activities that build, buy, and rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people.

**HOPE VI.** See “Program for Revitalization of Severely Distressed Public Housing (PIH program).”

**Housing Assistance Payment (HAP) Contract.** See “Section 8.”

**Housing choice voucher.** See “Section 8.”

**Housing Cooperative Organization.** See Stock Cooperation.

**Housing for the elderly direct loan program (Section 202).** A program that provides interest-free capital advances to private, nonprofit sponsors to finance the development of supportive housing for the elderly.

**Housing unit (or unit).** A house, an apartment, a mobile home or trailer, a group of rooms, or a single room occupied as separate living quarters, or if vacant, intended for occupancy as separate living quarters. Separate living quarters are those in which the occupants live separately from any other individuals in the building and have direct access from outside the building or through a common hall. For vacant units, the criteria of separateness and direct access are applied to the intended occupants whenever possible.

**Index.** A statistic that indicates some current economic or financial condition. The term, payment, interest rate, or principal amount of a long-term loan may be adjusted periodically according to a specific index, such as the 11<sup>th</sup> District cost-of-funds index. The index and the manner of adjustment are generally stated in the loan contract.

**Individual investor.** An individual who buys and sells an asset for their personal account, and not for another company.

**Industrial bank.** A financial institution that sells certificates labeled as investment shares and accepts customer deposits. They then invest the proceeds of certificate sales in installment loans for consumers and small businesses. These banks are also known as Morris banks or industrial loan companies.

**Insurance.** A contractual agreement in which one party guarantees another against loss for a specific peril. See also "Property insurance," "Private mortgage insurance," "Insured mortgage," and "Title insurance."

**Insured mortgage.** A mortgage insured against loss to the lender in the event of default. A loan may be insured by the Federal Housing Administration (FHA), Veterans Administration (VA), Rural Housing Service/Rural Development (formerly FmHA), or by a private insurance company.

**Interest.** A charge for a loan, usually a percent of the amount loaned.

**Interest-only loan.** A loan in which interest is payable at regular intervals until loan maturity (when the full loan balance is due). This does not require amortization of loan principal.

**Interest rate.** The percentage of an amount of money (principal) which is charged for its use for a specified time.

**Joint ownership.** Where two or more people share ownership of property, securities, or rights.

**Land contract.** Same or similar to "contract to purchase." See also "Mortgage."

**LIBOR.** An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

**Life insurance company.** Financial intermediary (the insurer) that guarantees a sum of money to a named beneficiary upon the death of the policyholder.

**Limited liability company (LLC).** A corporate structure whereby the shareholders of the company have a limited liability to the company's actions.

**Limited liability partnership (LLP).** A partnership in which there is at least one partner whose liability is limited to the amount invested, and at least one partner whose liability extends beyond monetary investment.

**Limited partnership (LP).** LLP and LP mean almost the same thing, with the difference being whether limited partners can participate in management.

**Line of credit.** See "Mortgage."

**Living quarters.** Living quarters are classified as either housing units or group quarters. Living quarters are usually found in structures intended for residential use, but also may be found in structures intended for nonresidential use as well as in places such as tents, vans, and emergency and transitional shelters.

**Loan.** The lending of a principal sum of money to one who promises to repay the sum plus interest.

**Loan servicing company.** A company that handles the administrative aspects of a loan from the time the proceeds are dispersed until the loan is paid off.

**Low income.** See “Poverty status.”

**Low income tax credit program (Section 42).** A tax credit that gives investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop affordable rental housing.

**Manufactured home.** A manufactured home is defined as a movable dwelling, 8 feet or more wide and 40 feet or more long, designed to be towed on its own chassis, with transportation gear integral to the unit when it leaves the factory, and without need of a permanent foundation. Manufactured homes include multi-wides and expandable manufactured homes. Excluded are travel trailers, motor homes, and modular housing.

**Margin over index.** The portion of the interest rate on an adjustable-rate mortgage that is over and above the adjustment-index rate.

**Market index.** An aggregate value produced by combining several stocks or other investment vehicles together and expressing their total values against a base value from a specific date.

**Maturity.** The due date of a loan.

**Mortgage.** Includes all forms of debt for which real property, that is, land and/or buildings, is given as security. Such security may be in one or more of the following.

*First mortgage.* A mortgage having priority over all other voluntary liens against the property. A first mortgage gives the lender a first claim against the owner's rights in the property if the owner fails to meet the required payments on the mortgage.

*Second, Third, and Fourth mortgages.* A junior mortgage that ranks after a first mortgage in priority. Properties may have two, three, or more mortgages, deeds of trust, or land contracts, as liens at the same time.

*Contract to purchase.* An arrangement for the sale of real estate whereby the buyer may use, occupy, and enjoy land, but no deed is given by the seller (and no title passes) until all or a specified part of the sale price has been paid. A purchaser who is buying the property by means of a contract to purchase may not consider himself/herself to be the owner since the seller actually has the title. However, for RHFS, the purchaser is considered the owner. Contract for deed, land contract, purchase agreement, agreement of sale, and assumption agreement are similar terms used frequently in some areas of the country.

*Deed of trust.* An instrument used in many states in place of a mortgage. The difference between a mortgage and a deed of trust is that a deed of trust involves a third party, known as the trustee, who has technical title to the property. Trust deeds, trusts, mortgage bonds, and vendor's liens are similar terms used in various parts of the country.

*Home Equity Line of credit/ Loan.* Allows the property owner to borrow against the equity in the home from time to time without reapplying for a loan.

**Mortgage bank or company.** A company providing mortgage financing with its own funds. Although the mortgage banker or company uses its own funds, these funds are generally borrowed and the financing is either short term or, if long term, the mortgages are sold to investors within a short time.

**Mortgage pool.** A collection of loans of similar nature that are sold as a unit in the secondary mortgage market, or used to back a security that is then sold in the capital markets.

**Mortgage servicing.** Performing the necessary duties of a mortgagee, such as collecting payments, releasing the lien upon payment in full, foreclosing if in default, and making sure the taxes are paid, insurance is in force, etc. Servicing may be performed, for a fee, by the lender or by a company acting for the lender.

**Multifamily bond financing.** The purpose of the Multifamily Bond Program is to increase the construction and rehabilitation of multifamily rental housing for families with limited incomes. State and local governments sell tax-exempt Housing Bonds, commonly known as Mortgage Revenue Bonds (MRBs) and Multifamily Housing Bonds, and use the proceeds to



finance low-cost mortgages for lower income first-time homebuyers or the production of apartments at rents affordable to lower income families.

**Municipal government.** Municipal governments are organized local governments authorized in state constitutions and statutes, established to provide general government for a defined area, generally corresponding to a population center rather than one of a set of areas into which a county is divided. The category includes those governments designated as cities, boroughs (except in Alaska), towns (except in Minnesota and Wisconsin), and villages. This concept corresponds roughly to the "incorporated places" that are recognized in Census Bureau reporting of population and housing statistics, although the Census Bureau excludes New England towns from their statistics for this category, and the count of municipal governments excludes places that are governmentally inactive.

**Mutual savings bank.** An institution owned by its depositors and operated for their benefit. Most of these banks are in the northeastern United States and hold a large portion of their assets in home mortgage loans.

**National average cost of funds.** The period interest paid and accrued on deposits (excluding escrow deposits), Federal Home Loan Bank (FHLB) advances, and other borrowings, divided by the average period balance of deposits (excluding escrow deposits), FHLB advances, and other borrowings.

**Nonprofit organization.** An organization not conducted or maintained for making a profit, whose main purpose is to achieve certain societal goals.

**Nonresidential.** Property designed for use by retail, wholesale, office, hotel, service, or other nonresidential use.

**Occupied by property personnel.** Units occupied by staff who work on a property, including maintenance, leasing, and management staff.

**Off-Street Parking.** Parking your vehicle anywhere but on the street. These are usually parking facilities like garages and lots. Off-street parking can be both indoors and outdoors. Off-street parking also includes private lots, garages and driveways.

**Office of Thrift Supervision (OTS) contract mortgage rate.** An index used to adjust interest rates previously maintained by the Office of Thrift Supervision, an agency that ceased to exist in 2011.

**Operating expense.** An expenditure that a business incurs in the course of performing normal business operations, such as, funds spent to maintain the rental property which may include repairs, services to maintain the rental property, taxes, and insurance.

**Other vacant.** Includes housing units that are vacant and not available for rent, for sale, rented, sold, or for intended for property personnel. Reasons for such vacancy include foreclosure, personal or family reasons, legal proceedings, or used for storage.

**Owner-occupied.** A housing unit is owner occupied if the owner or co-owner lives in the unit.

**Pension fund.** A fund established by an employer to manage the investment of employer and employee retirement contributions.

**Permanent financing.** Long-term debt or equity financing. In general, permanent financing is used to purchase or develop long-term fixed assets. Since the payoff from a long-term asset tends to be over a period, financing through long-term options reduces the risk of principal payoff not being made (in the case of debt financing).

**Personal guarantee.** Promise made by an entrepreneur that obligates him/her personally to repay debts on a loan default.

**Poverty status.** Income and family characteristics are used in relation to poverty thresholds to determine poverty status. Poverty thresholds vary by family size, number of children, and age of householder. More information is available at [www.census.gov/hhes/www/poverty/data/threshld/](http://www.census.gov/hhes/www/poverty/data/threshld/).

**Principal.** The amount of money raised by a mortgage or other loan, as distinct from the interest paid for its use.

**Principal and interest payment.** A periodic payment, usually paid monthly, that includes the interest charges for the period and an amount applied to amortization of the principal balance.

**Principal, Interest, Taxes, and Insurance payment (PITI).** The periodic (typically monthly) payment required by an amortizing loan that includes escrow deposits. Each periodic payment includes a principal and interest payment plus a contribution to the escrow account set up by the lender to pay insurance premiums and property taxes on the mortgaged property.

**Private Mortgage Insurance (PMI).** An insurance policy issued by a private company that guarantees repayment to a lender in the event of default. See also “Insurance.”

**Program for Revitalization of Severely Distressed Public Housing (PIH program).** Also known as **HOPE VI**. A program administered by the Department of Housing and Urban Development with the following objectives: to change the physical shape of public housing; to establish positive incentives for resident self-sufficiency and comprehensive services that empower residents; to lessen concentrations of poverty by placing public housing in non-poverty neighborhoods and promoting mixed-income communities; to forge partnerships with other agencies, local governments, nonprofit organizations, and private businesses to leverage support and resources.

**Project-based voucher.** A voucher attached to a specific rental housing unit. The voucher is not transferable to another unit if the renter leaves the unit. See also “Section 8.”

**Property.** For the purposes of the RHFS, a property includes all housing units and structures commonly financed. A property may consist of one building at one address, or a property may consist of more than one building or more than one street address, if these structures are commonly owned and financed, geographically proximate, and considered part of the same property. (Properties without basic street addresses are not sampled in RHFS, which may add to sampling error.)

Structures associated with a property do not have to contain housing units. Such structures may include, but are not limited to, office buildings for maintenance or leasing staff, commercial space associated with the property address, recreational facilities, or operating facilities that may house electrical or plumbing equipment.

Some types of real estate debt cover properties at different locations, or even different types of property (e.g., hotels, hospitals). For the RHFS, units and structures have to be geographically proximate and part of the same property or complex to be part of the property definition. (The RHFS does ask if the debt covers non-adjacent properties.)

The process of defining a property begins with the structure at the address selected for the survey and requires the following steps.

1. If the property has only one first mortgage, the property is defined by whichever units and structures are financed through that first mortgage and associated with the sample address.
2. If the property has more than one first mortgage, the property is defined by whichever mortgage covers the most units and buildings at the property associated with the sample address.
3. If the property is owned free and clear, i.e., with no debt, the property is defined as whichever units and buildings are commonly owned and considered part of the same rental complex including the sample address.

See also "Basic Street Address."

**Property equity loan.** Same or similar to "home equity line of credit." See "Mortgage."

**Property insurance.** Insurance that protects real property against certain risks, such as fires or storms; often called fire and hazard insurance. This does not include mortgage insurance.

**Property tax.** A local tax levied on privately owned property.

**Public housing authority.** A public agency created by a state or local government to finance or operate low-income housing.

**Purchase agreement.** Same or similar to "Contract to purchase." See also "Contract to purchase" under "Mortgage."

**Purchase price.** The amount of money paid for the property, including down payment and mortgage, excluding closing costs and other fees.

**Razing.** Tear down, pull down, knock down, level, flatten, bulldoze, demolish, or completely destroy a building.

**Real estate.** Property consisting of land and the buildings on it.

**Real estate corporation.** See "Real Estate Investment Trust (REIT)."

**Real Estate Investment Trust (REIT).** A trust that sells shares of ownership and must invest in real estate or mortgages. If it meets certain

requirements, it is exempt from corporate income tax. It distributes a minimum of 95 percent of its income to its shareholders.

**Real estate property tax.** See "Property tax."

**Real estate tax appeal.** A petition with a taxing authority to have the property value reassessed and property tax burden subsequently lowered.

**Refinancing.** The substitution of an old loan(s) with a new loan(s) either with the same lender or with a different lender. Also, renewing an existing or a maturing loan with the same lender.

**Rent control/stabilization.** The legal regulation as to the maximum rental charge that can be made for the use of certain units within the property.

**Rental property.** The building at the sample address and any other buildings under the same first mortgage OR the building at the sample address and any other building that are collectively owned as a single entity.

**Rental Subsidy Other than Section 8 payments to projects or tenants.** This refers to whether the Federal, state, or local government pays part of the unit's rent either to a member of the household or directly to the landlord under such programs as Senior Citizen Rent Increase Exemption, Advantage (Work, Child, or Fixed), Public Assistance Grant, Housing Stability Plus, etc.

**Rented-not yet occupied.** Vacant units, which have been rented, but the new renters have not moved in as of the day of the interview.

**Renter-occupied.** All occupied units which are not owner occupied, whether they are rented for cash rent or occupied without payment of cash rent, are classified as renter-occupied.

**Residential units.** Units that are rented, vacant but are available for rent, occupied by the property owner or by property personnel, or vacant for other reasons.

**Rural Housing Service/Rural Development.** An agency, within the U.S. Department of Agriculture, formerly called the Farmers Home Administration (FmHA). It administers assistance programs for purchasers of homes and farms in small towns and rural areas.

**Savings and Loan association (S&L).** A financial institution that specializes in accepting savings deposits and making mortgage and other loans

**Second mortgage.** See “Mortgage.”

**Secondary mortgage market.** National market in which residential mortgages are assembled into pools and sold to investors.

**Section 8.** Refers to section 8 of the Housing Act of 1937, which authorizes the Federal government to subsidize rental payments for low-income households through payments to private property owners. Currently the Department of Housing and Urban Development (HUD) administers the program.

The RHFS asks property owners and managers about their participation in three programs covered under Section 8:

*Housing Choice Voucher.* A portable voucher for tenants to use to pay part or all of the rent of a housing unit. It is the largest component of the Section 8 program.

*Housing Assistance Payment (HAP) Contract.* A contract with HUD to pay part or all of the rent for all or most of the units in a rental property.

*Project-Based Voucher.* A voucher attached to a specific rental housing unit, not portable if a renter leaves the apartment.

**Section 38.** U.S. tax code that refers to a tax credit for old or historic properties.

**Security.** A stock, bond, or other investment product.

**Sold-not yet occupied.** Vacant units, which have been sold, but the new owners have not moved in as of the day of the interview.

**Stock cooperative.** A multi-unit property owned by a corporation in which individual ownership is acquired through purchase of stock and exclusive right of occupancy to a portion of the property is acquired through a proprietary lease. Also known as “Housing cooperative organization.”

**Substantial rehabilitation.** The renovation, alteration or remodeling of a building containing essentially uninhabitable residential rental units that require substantial renovation in order to conform to contemporary standards for decent, safe, and sanitary housing. Substantial rehabilitation may vary in degree from gutting and extensive reconstruction to extensive improvements that cure substantial deferred maintenance. Cosmetic improvements alone such as painting, decorating and minor repairs, or other work which can be performed safely without having the units vacated, do not qualify as substantial rehabilitation.

**Targeted economic development area.** See "Economic development area."

**Tax abatement.** A reduction in taxes.

**Tax credit.** Tax incentive programs designed to encourage, stimulate, or subsidize the ownership of real estate. Also known as "tax depreciation" or "tax relief."

**Tenant in common.** A particular type of partial ownership of a property where two or more individuals have title to a piece of property; this type of ownership does not pass ownership to the others in the event of death.

**Term.** The time during which principal and/or interest payments must be made. Usually the time needed to amortize the loan fully.

**Terms.** Conditions and arrangements specified in the mortgage contract, such as interest rate and required payments.

**Third mortgage.** Similar to a second mortgage. See also "Mortgage."

**Time of origination.** When a mortgage or loan was first originated.

**Title insurance.** Insurance to protect a lender or owner against loss in the event of a property ownership dispute.

**Treasury rate.** The current rate that investors earn on debt securities issued by the U.S. Treasury. See also "Security."

**Trust company.** Same or similar to "Commercial bank." See also "Commercial bank."

**Trustee.** An individual or organization that holds or manages assets and makes investments for the benefit of another. Similarly, a **trustee for estate** holds and manages real estate on the behalf of another.

**U.S. Department of Housing and Urban Development (HUD).** A Federal agency responsible for housing programs, such as FHA insurance and community development programs.

**U.S. Department of Veterans Affairs (formerly Veterans Administration) (VA).** A Federal agency that provides services for eligible veterans, their families, and survivors. Among housing programs, the VA administers a loan guarantee program, wherein the VA guarantees a portion of the loan, allowing lenders to provide more favorable terms to eligible borrowers.

**Vacant-for rent.** Vacant units offered for rent.

**Vacant-for sale.** Vacant units for sale only; it excludes units both for sale and rent. Units in cooperatives and condominiums are included if the individual units are offered “for sale only.”

**Vacant-intended for property personnel.** Units that are reserved for staff who work on the property, including maintenance, leasing, and management staff.